Background Paper

BP-245E

POPULATION, FOOD AND DEBT: THE CHALLENGES TO NORTH AND SOUTH

Gerald Schmitz
Political and Social Affairs Division

April 1989

Library of Parliament
Bibliothèque du Parlement

Research Branch

The Research Branch of the Library of Parliament works exclusively for Parliament, conducting research and providing information for Committees and Members of the Senate and the House of Commons. This service is extended without partisan bias in such forms as Reports, Background Papers and Issue Reviews. Research Officers in the Branch are also available for personal consultation in their respective fields of expertise.

Cat. No. YM32-2/245E
ISBN 0-660-13919-7

CE DOCUMENT EST AUSSI
PUBLIÉ EN FRANÇAIS

CANADA

LIBRARY OF PARLIAMENT
BIBLIOTHÈQUE DU PARLEMENT

POPULATION, FOOD AND DEBT: THE CHALLENGES TO NORTH AND SOUTH

THE DEBATE OVER DEVELOPMENT

The present world order contains many continuing contradictions. Human knowledge, wealth, and expertise seem to be increasing more rapidly with every generation. The technical means are within our grasp to solve or at least alleviate many problems which have afflicted people throughout history. At the same time, the biosphere and its occupants, the human family, face new threats ranging from the possibility of nuclear destruction to environmental contamination and climatic change to diseases such as AIDS. In addition to these new challenges, the reality is that a large portion of humanity has received very little of the benefits from the impressive march of modern progress. Hundreds of millions of people still live in conditions of absolute poverty; often they are trapped in situations where there is only minimal respect for human rights -- including the most basic of all, the right to life. There are still countries which appear unable to feed and house exploding populations. Famine and hunger have not been eliminated despite a growing world food supply. Many developing countries are seeing their economic welfare squeezed by a huge burden of debt owed to foreign creditors.

The presence of so much underdevelopment and maldevelopment in the world has led to a critical re-evaluation of many development "models," and to an ongoing search for rational and practical solutions to the persistent problems of development: problems of too many people who are poor, malnourished, and perhaps hostage to a debt crisis which they neither control nor comprehend. Canada has earned respect as a development partner in the third World and has recently reviewed its own international development assistance policies and programs. But achieving sustainable

development will obviously require as well much broader efforts in bringing together industrialized countries of the North and developing countries of the South in ways which deliver concrete benefits to those most in need.

THE CHALLENGE OF WORLD POPULATION

Ever since the gloomy predictions of Thomas Malthus at the end of the eighteenth century, there have been fears that exponential rates of population growth would inevitable overtake the earth's capacity to produce enough food and result in widespread starvation. Despite the recurrence of local famines and food shortages, which typically involve many factors other than population density, these fears have probably abated somewhat in recent years. According to current World Bank projections, the global population is expected to reach approximately 6.2 billion by the year 2000 and 8.5 billion by 2025. This compares with the alarming prediction in Paul Ehlrich's 1968 book *The Population Bomb* that world population would be 10 billion in the year 2000.

The fact that the overall rate of world population growth has slowed is no reason for complacency, however. Growth rates of industrializd countries have typically stabilized and in some cases fallen below replacement levels. By contrast, in many of the poorest developing countries population growth remains extremely high. The global picture is sharply divided (see Table 1), with almost all of the population increase occurring in Asia and the rapid growth regions of Africa and Latin America. Within the Third World itself, there are wide divergences in population trends. For example, between 1960 and 1987 the following countries -- Singapore, Taiwan, South Korea, Cuba, China, Columbia, Costa Rica -- achieved declines in fertility rates (i.e., the average number of children per woman) of greater than 50%. The fertility rates for these countries in 1987 ranged from 1.6 in Singapore to 3.5 in Costa Rica, with the unweighted average being 2.3. Countries with very high fertility rates in 1987 included: Kenya, Afghanistan, Jordan, Tanzania, Zambia, Saudi Arabia, Ethiopia, and Zimbabwe. The unweighted average of fertility rates for these countries was 7.2, with a range from 8.0 in Kenya to 6.5 in

Table 1

World Population Growth by Geographic Region, 1986

Region	Population (million)	Population Growth Rate (percent)	Annual Increment (million)
Slow Growth Regions			
Western Europe	381	0.2	0.8
North America	267	0.7	1.9
E. Eur. and Soviet Union	392	0.8	3.0
Australia and New Zealand	19	0.8	0.2
East Asia[1]	1,263	1.0	12.6
Total	2,322	0.8	18.6
Rapid Growth Regions			
Southeast Asia[2]	414	2.2	9.1
Latin America	419	2.3	9.6
Indian subcontinent	1,027	2.4	24.6
Middle East	178	2.8	5.0
Africa	583	2.8	16.3
Total	2,621	2.5	64.6

[1] Principally China and Japan.

[2] Principally Burma, Indonesia, the Philippines, Thailand, and Vietnam.

Source: Lester Brown and Jodi Jacobsen, *Our Demographically Divided World*, Worldwatch Paper 74, Washington, D.C., December 1986, p. 8.

Zimbabwe.(1) In general, large declines in fertility levels are associated with economic advancement and successful family planning policies. Population growth rates are highest where fertility levels have remained high even though death rates have fallen substantially. In a few countries with high fertility rates (e.g., Afghanistan and Ethiopia), growth rates have been slowed because of high mortality rates due to recent crises.

The two most populous developing countries, China and India, together account for nearly 40% of the world's population and for over half of annual population growth. China's population is now 1.1 billion and India's is about 800 million. However, China's growth rate has slowed to 1.4% a year compared to India's 1.95%, so by the middle of the next century India's population could surpass that of China. In both countries attempts to induce slower population growth rates have provoked strong controversies. China's "one child per family" policy introduced in 1979 appears to involve some coercion, including such measures as fines for "unauthorized" children, mandatory use of intra-uterine devices, and forced abortions. Still, the Chinese government recently admitted that its target of limiting population to 1.2 billion by the year 2000 would be exceeded by 100 million if present trends continue. In India, coercive methods, in particular aggressive sterilization programs, were reported during 1975-77, but popular reaction against these extreme measures contributed to Indira Gandhi's 1977 electoral defeat.

"Excessive" population growth rates are almost exclusively a problem of poor and underdeveloped societies. In rural areas especially, women's traditional work patterns combine work and child rearing. At a very early age children are an important source of earnings for low-income families. High rates of infant and child mortality are additional reasons for women to want to bear more children -- to ensure that some live to adulthood. UNICEF's 1989 report, *The State of the World's Children,* (Oxford University Press, Oxford, 1989) estimates there were 14 million <u>preventable</u> deaths of children in 1988. Together with such chilling

---

(1) See tables in Jodi L. Jacobsen, *Planning the Global Family,* Worldwatch Paper 80, Washington, D.C., December 1987, p. 8 and 10.

statistics are the facts that poor developing countries have by far the highest ratio of children to adults.

Without adequate social security programs parents are forced to depend on their children in times of illness or disability and in old age. In societies with limited options for women, early marriage and childbearing may be the only way young women can gain status. Furthermore, a preference for sons in some cultures encourages couples to have several children in order to produce a male child. Finally, lack of information about and access to effective birth control can be a determining factor in family size.

The consequences of unplanned rapid population growth in poor countries, can be severe -- for individuals, families, communities, governments, and the environment. High growth rates can reduce already low per capita household savings, and be accompanied by high rates of child and maternal mortality and morbidity from poor nutrition and sanitation. They may result in large numbers of young people seeking too few jobs, a depression of wage levels, mass migrations to urban centres with spreading slums, and a general overburden on support systems, community and government services. The stress of rising population can also place great pressure on food supplies, agricultural land, water, forests, and other natural resources.

the "carrying capacity" of the biosphere has been debated since the last century and not surprisingly the predictions vary enormously (see Table 2). It is apparent, however, that "overpopulation" is not a simple function of high population densities. The instances of mass starvation in recent decades have occurred in the vast rural regions of Africa and Asia, not in Hong Kong, Japan, or New York City. Many countries of the South have mistrusted the North's concern about their population growth, and the emphasis put on family planning to control burgeoning numbers of poor people. The problem, these countries have argued, was not population *per se* but global poverty and injustice. As living standards rose, population would take care of itself. At the first World Population Conference held under UN auspices in Bucharest in 1974, the slogan was "development is the best contraceptive."

Table 2

Some Estimates of the Maximum Number of People the World Could Support

Authority	Millions	Ratio of Maximum Number to Present Number
De facto population (1980)	4,414	
Ravenstein (1871)	6,000	1.4
Penck (1925)	16,000	3.6
Brown, Bonner and Weir (1957)	7,000	1.6
Clark (1967) low estimate	47,000	10.7
Clark (1967) high estimate	150,000	33.9
De Wit (1967	146,000	33.0
Buringh and Van Heemst (1972)	6,700	1.5
Lieth (1972)	100,000	22.7
Revelle (1976)	40,000	9.1
Eyre (1978)	17,000	4.1
Gilland (1983)	7,500	1.7

Source: Sir Kenneth Blaxter, *People, Food and Resources* Cambridge University Press, Cambridge, 1986, Table 20, p. 90.

In the years since then the debate over population control has shifted ground to some extent. On the part of the North there is a greater appreication of the need to support economic develeopoment, and in particular to boost food production, in the poorest regions. For their part, developing countries have become more realistic and "cognizant of the need for and value of comprehensive family planning programs." This was apparent during the second World Population Conference in Mexico City in 1984 when virtually all governments "accepted the need to achieve population stabilization." The Mexico City declaration referred to

"inextricable links between population, resources, environment and development."(2)

There seems to be an emerging consensus that a slower, more deliberate rate of population growth in the developing world is desirable as an adjunct to progress on other development fronts. However, in the 1980s it is also the case that "slower economic growth in developing countries plagued by debt, dwindling exports and environmental degradation, means that governments can no longer rely on socioeconomic gains to help reduce births."(3) These countries have had at least to lower their expectations, at a time when world population continues to record its largest ever annual increases. At the same time, the experience of the past few decades strongly suggests that direct population control programs will not work unless they are culturally sensitive and developed in conjunction with efforts towards positive social change. Religious customs and traditional kinship relationships, which usually support pronatal attitudes, must be taken into account. Fertility rates are likely to remain high where women's education and employment opportunities are restricted to family or female-based activities. Indeed, enhancing the social status of women is a key element of sociocultural change leading to smaller families and to sustainable patterns of population development. Economic growth in some aggregate sense, even with a return to more favourable conditions than most development countries now face, is not enough.

THE CHALLENGE OF WORLD HUNGER

In this century, famines and chronic hunger have caused millions of deaths, rivalling the casualty figures of major wars. Although droughts and natural disasters have often played a role in extreme food shortages, it is also apparent that in some cases (e.g., the Ukrainian

---

(2) Cf. Gregory Wirick, *World Population: Continuing Challenges,* The North-South Institute, Briefing Paper No. 11, Ottawa, November 1985, p. 7.

(3) Jacobsen (1987), p. 5.

famine of the 1930s, the African famines of the 1980s) man-made factors, including political ideology and civil and international conflict, have been at work. In the Bangladesh famine of 1974, the manipulation and maldistribution of the food supply and the distortion of food and agricultural markets in a climate of political uncertainty were more important (and preventable) causes of mortality from hunger than any actual failure of food production.(4) In short, the challenge of hunger is not usually just a matter of too many people and not enough food.

Many development theorists have observed that, despite local and regional problems of agricultural production, more than enough food is still grown in the world each year to ensure everyone an adequate diet -- if the marketing and distribution systems, both public and private, national and international, were in place to achieve that result. In a recent book, Keith Griffin persuasively argues two propositions:

> First, there is no world food problem, but there is a problem of hunger in the world. Food and hunger are, of course, related and it is tempting to argue that an increase in food output will lead to a reduction in hunger, malnutrition and starvation; alas, the connection is not so straightforward or simple. Indeed many cases can be found in which hunger increased, or failed to diminish, despite a rise in food supplies per head.
>
> Second, even if there were a direct connection between the availability of food and the incidence of hunger, it does not follow that each region or country or continent should aim to be self-sufficient in basic foodstuffs. Presumably, nobody would suggest that the city-states of Hong Kong and Singapore would be better off or better fed if they produced fewer manufactured goods and more rice; or that Saudi Arabia and Botswana should switch from oil and mineral extraction to farming; or even, perhaps that Cuba should reduce its production of sugar and concentrate on growing more cereals and beans. What matters in countries such as these, as far as the average is concerned, is the resource endowment people enjoy, the opportunities that exist for profitable international trade and the

(4) See both Amartya Sen, *Poverty and Famines: An Essay on Entitlement and Deprivation*, Clarendon Press, Oxford, 1981; and Martin Ravallion, *Markets and Famines*, Clarendon Press, Oxford, 1987.

> overall rate of growth of domestic product per head.(5)

The relationship of hunger to income and economic welfare is perhaps most striking, and anomalous, in affluent societies which have large, efficient agricultural sectors and which are major food exporters. The 1980s have seen the growth of "food banks" in many areas of the United States and Canada. The fact that some low-income families would go hungry without the efforts of these agencies can clearly not be blamed on over-population or any incapacity of North American farmers to produce food in sufficient volume. It is easy to see how in developing countries with fewer resource advantages and greater population burdens the situation can be much more dire. This is especially true in emergency situations, whether caused by acts of God or man, or both. In such situations outside food relief may be the only solution in the short term. But chronic hunger and malnutrition are another matter, which presents a more serious political problem because it is frequently linked to inequalities and imbalances which may be deeply embedded in the social system. As Griffin puts it:

> Anyone who has thought about the matter knows that hunger is not distributed evenly or randomly throughout a society; it is largely (but not exclusively) a rural phenomenon and within the rural areas is concentrated among the poor. That is, hunger tends to be associated with particular classes and occupational groups: landless agricultural labourers, small tenant cultivators, deficit farmers with too little land to be self-sufficient and who consequently must supplement their income with part-time off-farm jobs, pastoralists living on or beyond the fringes of the arable land, and fishermen and petty artisans supplying traditional goods and services in traditional ways.
>
> The fundamental cause of hunger, then, is the poverty of specific groups of people, not a general shortage of food. In simple terms, what distinguishes the poor from others is that they do not have sufficient purchasing power or effective demand to enable them to acquire enough to eat. More generally, the heart of the problem is the relationship of particular groups of people to food, not food itself. This relationship is

---

(5) Keith Griffin, *World Hunger and the World Economy,* The Macmillan Press, Houndmills, England, 1987, p. 1.

> governed by what Amartya Sen calls "entitlement systems," that is, the set of relations embodied in a society's laws, customs and conventions that determines the ability of people to command food.(6)

To eliminate world hunger and to realize food security as a human right probably will require fundamental social changes in many countries and in the relations between North and South.(7) Nonetheless, promoting sound food and agricultural development in developing countries must continue to be an immediate priority complementing the search for longer term solutions.

> Because of the momentum of population growth, it is certain that the numbers of people in the world will increase, even if, suddenly, family size limitation became universal. Even if population did not augment, the evidence of overt malnutrition in many of the developing countries shows that there is a need for more food of higher quality. The real need is even greater than this for population will increase. Because of urbanisation, desertification and the deterioration of many irrigation systems it is certain that present farm land is being inexorably eroded and its future expansion will necessarily mean farming in a less favourable environment than hitherto and at the expense of natural resources of forest and natural grazings. It is also quite certain that there is a large gap between the average yields obtained in various countries and those which represent the potential of the crops concerned; it equally appears that these potentials will be static for many years to come. There is no doubt that yields of food could be increased; at present, however, it appears that to do so involves the use of large inputs from outside the farm, inputs which involve the expenditure of support energy, mostly derived from fossil sources.(8)

It is extremely worrisome that, as Table 3 and Chart 1 show, food production increases in recent decades have varied **inversely** with increased population pressures. According to the analysis by Lester Brown:

---

(6) *Ibid.*, p. 5.

(7) The right to food is already recognized, if only in theory, in existing international human rights instruments. See Asbjorn Eide, *et al.*, eds, *Food as a Human Right,* The United Nations University, Tokyo, 1984.

(8) Sir Kenneth Blaxter, *People, Food and Resources,* Cambridge University Press, Cambridge, 1986.

Table 3

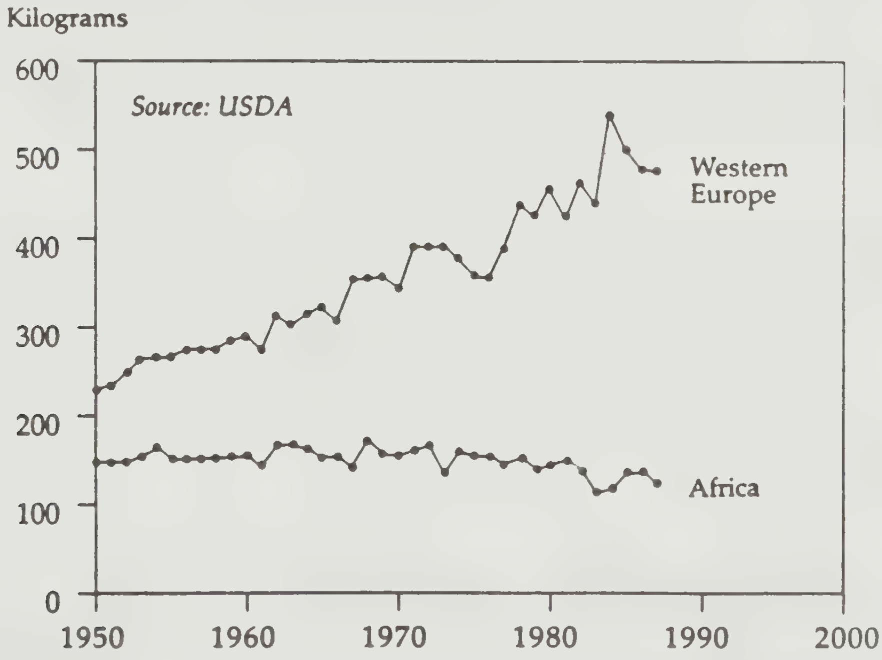
Growth rates (% per annum) of population and food supply in certain regions of the world

Region	1952–60 Population	1952–60 Food supply	1961–70 Population	1961–70 Food supply	1971–80 Population	1971–80 Food supply
Developed countries	1.3	3.2	1.1	2.6	0.8	1.9
Africa	2.2	2.8	2.5	2.6	2.9	1.8
Latin America	2.8	3.2	2.9	3.5	2.7	3.9
Asia	2.6	3.4	2.2	2.7	2.0	3.2
Per capita food supply						
Developed countries	+1.9		+1.5		+1.1	
Africa	+0.6		+0.1		−1.1	
Latin America	+0.4		+0.6		+1.1	
Asia	+1.4		+0.5		+1.2	

Source: Blaxter (1986), Table 5, p. 46.

Chart 1

Per Capita Grain Production, Western Europe and Africa, 1950-87



Source: Lester Brown, *The Changing World Food Prospect: The Nineties and Beyond*, Worldwatch Paper 85, Washington, D.C. October 1988, Figure 2, p. 16.

> The principal determinant of whether food production per person is rising or declining in the various geographic regions is the differential rate of population growth. Where the population growth is slowest, Western Europe, per capita food production is rising most rapidly. In the two regions where population growth is fastest, Africa and Latin America, it is declining. ... Over the past 38 years, total grain output in Western Europe has increased 2.6-fold, and in Africa 2.2-fold. As a result, in Western Europe, where population growth is negligible, per capita output has more than doubled. But in Africa, whose population expands at a record 3% annually, output per capita has been falling since peaking in 1967.(9)

The introduction of modern "green revolution" technologies has helped to make food self-sufficiency possible in some parts of the Third World (e.g., the Indian subcontinent) by boosting crop yields and farm productivity. But this is a revolution that has least benefited Africa in general, small peasant farmers in particular, and the rural landless least of all. According to Edward C. Wolf:

> Few of Africa's 50 million rural families grow wheat or rice, and only in the last decade have researchers turned their attention to millet, sorghum, cassava, yams, and cowpeas that are the subsistence staples of most rural Africans. Only 6% of sub-Saharan Africa's wheat and rice area is planted to modern varieties. ...
>
> [It is estimated that 230 million households in the South] ... use farming methods almost identical to those of their ancestors. One reason is energy. Past advances have come from increasing the energy intensity of farming: fuel to run machinery, fossil-fuel-based artificial fertilizers, and diesel fuel or electricity to run irrigation pumps. Few of the rural poor can afford these costly materials and services. Even if they had the income to purchase such inputs, many

---

(9) Lester Brown, *The Changing World Food Prospects: The Nineties and Beyond,* Worldwatch Paper 85, Washington, D.C. October 1988, p. 15. It is worth noting as well that while debt-burdened Third World countries are less able to purchase food to make up for domestic shortfalls, Western Europe's heavily-subsidized food exports are jeopardizing the incomes of Canadian farmers. The "oversupply" of commodities such as grain on international markets is blamed for driving down prices at the same time as millions of people go without.

> farmers are not served by roads or markets that could reliably supply them.(10)

Lack of proper storage facilities is another common problem. Furthermore, one must distinguish between increases in gross agricultural output and adequate local supplies of healthy food at prices the poor can afford. It is a fact that some developing countries where hunger remains a serious problem are at the same time significant <u>exporters</u> of food to richer Northern markets. Land and resources are extensively used for cash crops and the production of protein-rich animal products destined for foreign consumption.

Agricultural development and trade have not benefited everyone equally: indeed, they have sometimes made life more difficult for those who are poor and politically weak.(11) As well, for a long time governments in many developing countries neglected their agricultural base and rural poor. Farmers had few incentives to produce more food, and the countryside was often simply squeezed to provide capital for other purposes, or increasingly to help service crushing foreign debts. Obstacles to necessary land reform have also condemned millions to a marginal existence. While food-producing potential is lost or unrealized, countries can find themselves becoming more dependent on food imports and food aid. Under these circumstances there is no technological quick fix, and "for Third World farmers who never shared in the agricultural advances of the green revolution, the issue is economic survival."(12)

Tackling the hunger problem means addressing the ability of the poor to buy food and reorienting agricultural investment, distribution systems, research and donor assistance to better serve the needs of rural smallholders. It also means finding environmentally appropriate and sustainable models of agricultural development. There are innovative projects being sponsored by networks such as the Consultative Group on

---

(10) Edward C. Wolf, *Beyond the Green Revolution: New Approaches for Third World Agriculture,* Worldwatch Paper 73, Washington, D.C., October 1986, p. 7-15.

(11) See the examples given by Griffin (1987), p. 8-9; also George Kent, *The Political Economy of Hunger,* Praeger Publishers, New York, 1984.

(12) Wolf (1986), p. 35ff.

International Agricultural Research (CGIAR), lending institutions such as the International Fund for Agricultural Development (IFAD), and agencies such as Canada's own International Development Research Centre (IDRC). Canada has been a leading contributor to food and agricultural programs and was encouraged to do more by a 1987 parliamentary committee report.(13) But as that report also observed, projects and programs, however meritorious they may be in themselves, cannot be expected to turn things around without commensurate reforms within countries, in government policies and in international systems.

THE CHALLENGE OF INTERNATIONAL DEBT

At one time or another nearly all countries have experienced debt problems. Canada imported large amounts of foreign capital to finance its own development. After the Second World War, the bankruptcy of major European trading partners caused severe balance of payments difficulties in Canada. Today, even in the world's richest country, the United States, there are grave concerns about the size of international trade and payments deficits. But the U.S. is in no sense in the throes of a debt "crisis." Investment continues to flow in to finance these deficits and people still want to hold U.S. dollars. By contrast, developing country debtors are not so fortunate. Typically, their currencies are weak, their economic prospects uncertain at best, and more capital is leaving then entering.

According to World Bank figures, developing country debt now exceeds U.S. $1.3 trillion. The North-South Institute's annual *Review/ Outlook* of January 1989 notes that: "Even though many debtor countries are running arrears, the amounts of debt they have managed to pay add up to staggering drain of financial resources. Development countries have

---

(13) House of Commons Standing Committee on External Affairs and International Trade, *For Whose Benefit? Report on Canada's Official Development Assistance Policies and Programs,* Queen's Printer for Canada, Ottawa, May 1987. Elements of the government's response are contained in the strategy published by the Canadian International Development Agency, *Sharing Our Future,* Minister of Supply and Services Canada, Ottawa, 1987.

transferred U.S. $85 billion to developed countries since 1982. In the case of the most highly indebted, this translates to more than 2% of their gross domestic product in the period."(14) More than half of all Third World countries are currently experiencing debt-servicing problems, and of these about one-quarter are considered to be highly-indebted.

Table 4 and Chart 2 give key debt ratios and rankings for 20 of the most seriously affected debtor nations, and illustrate the financial plight of the region, Latin America, which has created the greatest headache for Western banks and governments. The data in the table reveal wide variations among countries and show that debt is no respecter of ideologies or political and economic systems. The largest debtors include both oil importers (Brazil, Argentina) and exporters (Mexico, Venezuela).

Table 4. Foreign Debt and Debt Ratios of Twenty Most Affected Developing Countries ($U.S. billions)

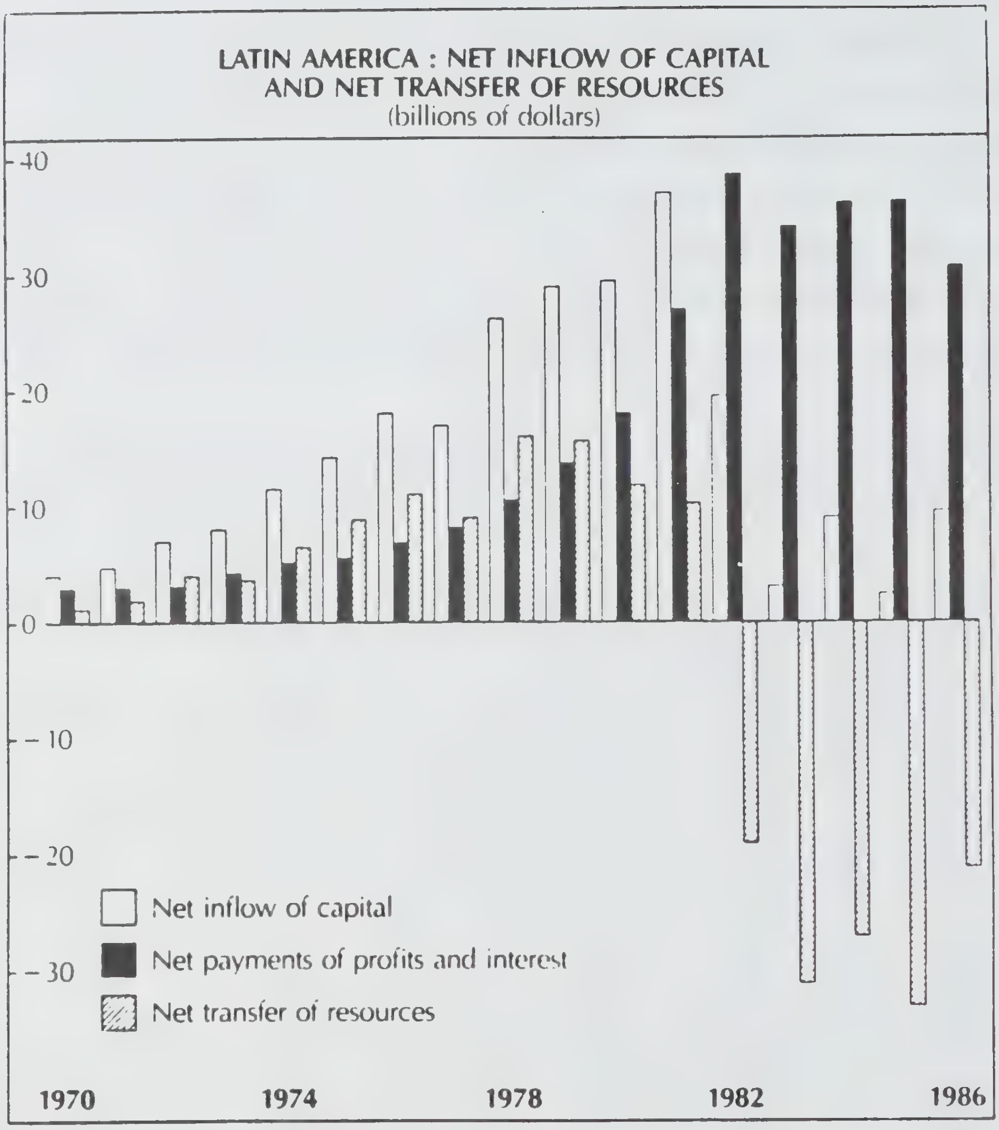
Country (Ranking by Size of Debt in 1980)	Total Long-Tern Debt			External Public Debt as Percentage of GNP			Total Debt Service as Percentage of GNP			Total Debt Service as Percentage of Export Earnings		
	1980	1987	(Ranking) in 1987	1980	1987	(Ranking)	1980	1987	(Ranking)	1980	1987	(Ranking)
1. Brazil	57.0	106.1	(1)	17.4	29.1	(19)	3.5	2.4	(18)	34.6	26.7	(5)
2. Mexico	41.3	96.9	(2)	18.0	59.5	(13)	4.2	6.4	(9)	32.1	30.1	(3)
3. Argentina	16.8	50.3	(3)	18.1	61.7	(12)	3.5	5.1	(12)	16.6	45.3	(1)
4. Venezuela	14.0	32.7	(4)	18.1	65.3	(10)	5.0	7.4	(5)	13.3	22.4	(10)
5. Chile	9.4	18.0	(8)	17.7	90.8	(7)	5.2	8.0	(3)	21.9	21.1	(11)
6. Philippines	9.0	23.8	(6)	18.5	64.5	(11)	1.7	6.2	(10)	7.1	22.7	(9)
7. Morocco	8.6	18.8	(7)	49.0	118.1	(3)	6.8	8.1	(2)	27.1	23.4	(7)
8. Peru	7.4	13.9	(10)	31.3	28.0	(20)	7.6	1.0	(20)	31.3	12.5	(18)
9. Nigeria	5.3	26.1	(5)	4.3	109.8	(5)	0.5	3.3	(11)	1.8	10.0	(20)
10. Pakistan	5.1	13.2	(11)	37.5	38.0	(17)	2.5	3.4	(15)	12.5	17.5	(15)
11. Ivory Coast	4.7	11.7	(12)	43.5	89.5	(8)	8.8	7.5	(4)	24.0	19.6	(14)
12. Colombia	4.6	15.4	(9)	12.3	40.8	(16)	1.6	7.0	(6)	8.9	30.7	(2)
13. Ecuador	4.4	9.1	(13)	29.6	92.9	(6)	5.0	5.1	(11)	18.9	20.7	(13)
14. Zaire	4.3	7.3	(15)	42.9	139.5	(1)	3.6	4.7	(13)	15.2	12.8	(17)
15. Bangladesh	3.5	8.9	(14)	27.7	50.6	(15)	0.6	1.8	(19)	6.6	16.5	(16)
16. Kenya	2.7	5.0	(16)	32.6	57.9	(14)	3.7	6.5	(8)	12.3	28.8	(4)
17. Bolivia	2.3	4.8	(17)	77.0	110.8	(4)	10.0	3.3	(16)	27.9	22.1	(12)
18. Costa Rica	2.1	3.9	(18)	36.8	88.8	(8)	4.5	4.5	(14)	16.8	12.1	(19)
19. Jamaica	1.5	3.6	(19)	57.1	138.9	(2)	8.3	17.3	(1)	14.0	25.8	(6)
20. Zimbabwe	0.7*	2.1	(20)	13.2	36.2	(18)	0.8	6.8	(7)	2.5	23.2	(8)

* This is the total of short-term public debt as Zimbabwe had no significant long-term debt in 1980.

Source: Compiled from The World Bank, World Debt Tables: External Debt of Developing Countries/1988-89 Edition, Washington, D.C., December 1988, Volume II. Country Tables.

(14) *Review '88/Outlook '89, The Wider World: Challenges for the Second Mulroney Mandate,* The North-South Institute, Ottawa, January 1989.

Chart 2



Source: Roy Culpepper, *Beyond Baker: The Maturing Debt Crisis*, Briefing Paper No. 18, The North-South Institute, May 1987, Figure 1, p. 6.

These debtors pose the most risk to international financial stability because of the sheer size of their external liabilities and the degree of private bank exposure involved. However, in terms of the economy's capacity to service the debt, many smaller countries are actually worse off. For example, in 1987 Zaire had the highest ratio of external public debt as a percentage of GNP. Jamaica had the highest ratio of debt service as a percentage of GNP.

The critical debt service/exports ratios present a mixed picture with no obvious pattern. The two biggest debtors, Brazil and Mexico, have in the past relied heavily on state capitalist approaches to development. But recent economic liberalization, and democratization in the case of Brazil, have not as yet arrested the debt spiral. Chile, like Jamaica, has closely followed orthodox free-market prescriptions over the course of this decade. But its debt performance is not evidently superior to that of Peru's left-wing government which took the extreme step of unilaterally limiting the amount of debt service it was prepared to pay. Perhaps the only safe generalization is that the magnitude of the debt, and the challenge facing both debtors and creditors, has increased significantly since 1980. In Latin America, the graph shows a dramatic reversal in net resource transfers since the global recession of 1981.

The origins of the current debt crisis are usually attributed to the commodities boom and subsequent oil "shocks" of the 1970s. This was when commercial bank lending to the Third World through the *laissez-faire* Euromoney market began to take off. By the end of that decade private banks figured prominently in most development strategies as being an efficient means for "recycling" the huge OPEC "Petrodollar" surpluses into the hands of capital-poor developing countries. Within a few years, however, optimistic lending policies were brought to a crashing halt. A deep recession in the Northern economies strangled the export growth so critical to the continued servicing of these countries' debts. Sharp rises in real interest rates and an overvalued U.S. dollar led to acute debt servicing difficulties given that much of the outstanding debt was denominated in U.S. currency. As countries veered toward the brink of insolvency they lost the creditworthiness required to attract needed

capital inflows. In fact, the very opposite was occurring: domestic capital was fleeing (often by illegal means) to safer havens, provoking a liquidity crisis, as the citizens of these countries lost confidence along with the foreign lenders. Ironically, several developing-country oil producers were among the worst affected when the world price of oil suddenly collapsed in 1982, thereby slashing the anticipated revenues from their principal export commodity and major source of foreign exchange earnings.

The near-default of Mexico in 1982 threatened the financial integrity of some leading U.S. banks and precipitated the first in a series of large and complex debt-rescheduling manoeuvres. Most developing countries have had their sovereign debt dealt with on a case-by-case basis through negotiations in what is known as the "Paris Club." Typically, the International Monetary Fund (IMF) has played a central role in debt negotiations, arranging emergency loans and bringing together elements of a financial "rescue" package. In return for credit, the debtor country must submit to an IMF stabilization program of austerity and economic policy reforms designed to restore creditworthiness. Countries have had to restrict imports, devalue their currencies, emphasize exports, encourage foreign investment, and cut domestic subsidies while imposing severe public sector spending restraints. Meeting IMF targets is frequently a condition for obtaining additional external financing from any source -- whether that be the commercial banking sector, Western aid and lending agencies, or the multilateral development banks of which the most important is the World Bank.

The case-by-case approach succeeded in forestalling a widespread breakdown of the international financial system. The private banks also worked hard to reduce their exposures, shored up by "loan loss provisioning" to protect their depositors and shareholders, and largely withdrawing from making any new loans to high-risk debtors. Indeed the unwillingness of the banks to extend new credits eventually crippled a plan presented to the joint IMF-World Bank meeting in Seoul in October 1985 by U.S. Treasury Secretary James Baker (now President Bush's Secretary of State). A key part of the so-called Baker Plan involved voluntary

commercial bank lending of $20 billion to problem debtors contingent on commitments by them to institute free-market reforms. The various elements of the U.S. plan went beyond a simple case-by-case approach, but offered no escape from the debt crisis. Moreover, the most affected debtors were just barely coping with the exigencies of avoiding external default, and were doing so at enormous internal cost to the welfare of their own citizens. Economic growth was reversed as unemployment rose and output was lost, and the poorest members of indebted societies -- the most blameless in the accumulation of massive foreign obligations -- were hit hardest by governmental austerity measures. Several countries, notably Brazil and Peru, rebelled to the extent of suspending or restricting payments to foreign creditors, and there was even talk of a "debtors' cartel." But these were crisis-driven responses, not a basis for long-term systemic reform.

There seems to be a consensus emerging that stronger and more sustained measures are needed. Proposals made run a wide gamut that includes: additional lending backed by multilateral guarantees and continued adjustment by debtors; debt conversion including debt to equity swaps and creation of a secondary market in discounted loans; deferrals of interest payments, caps on interest rates and interest capitalization; linkage of debt payments to foreign currency earnings; explicit forgiveness of part of the interest and/or principal due; and, as a last resort, temporary moratoria on debt service payments or even a repudiation of some debts.(15) The problem with more of the same -- i.e., new conditional loans on top of the restructuring and rescheduling of old debt -- is that this may simply postpone the inevitable reckoning. The problem with the more radical forms of debt relief is the "moral hazard" involved when the debts of the foolhardy and the delinquent are forgiven along with those of countries which have accepted tough medicine to recover financial health. Fearing a lost of faith on the part of both debtors and creditors, some are

---

(15) For more details see the succinct surveys in Peter Berg, *International Debt,* Current Issue Review #84-30E, Library of Parliament, Research Branch, Ottawa; also Roy Culpepper, *Beyond Baker: The Maturing Debt Crisis,* Briefing Paper No. 18, The North-South Institute, Ottawa, May 1987, p. 18ff.

calling for global negotiations towards a "new Bretton Woods" to restore order to the financial system.

Most observers now accept that much of the Third World debt will never be repaid. Indeed the existing level of debt service is jeopardizing economic and development progress in many countries while it threatens to overwhelm the impact of foreign aid.(16) The desperate economic situation in much of sub-Saharan Africa has led official creditors (who are the dominant force here, unlike the case in Latin America, where private banks play the major role) to consider substantial debt relief for this region. Canada has been a leader in this regard, announcing the forgiveness of $671.9 million in aid loans to poor African countries at the Francophone and Commonwealth Summits in the fall of 1987. Legislation to this effect was introduced in Parliament on 17 April 1989. (Since 1986 all new Canadian aid has been in the form of grants.) Debt reduction for the poorest countries was also on the agenda of the June 1988 Toronto Western Economic Summit. At a meeting later that year finance ministers of the G-7 countries agreed to choose from among several options involving partial debt cancellation, interest rate reductions and extension of principle repayment terms.

Riots touched off by new debt-induced austerity measures killed over 300 people in Venezuela early in 1989 and turned the debt spotlight back on this hemisphere and the major problem debtors. The Bush administration in the United States is very concerned that prolonging the pain of debt-strapped countries is threatening not only development

---

(16) The parliamentary committee report cited earlier in note 13 contained a strong plea for urgent attention to the debt burden, stating that "if concerted action on the debt overhang is not forthcoming for the poorest countries, we fear that aid agencies risk being transformed into *de facto* debt relief agencies, with much of development in these countries put on indefinite hold." *(For Whose Benefit?,* p. 51, and "Epilogue.") This seconded the April 1987 report of the Senate Standing Committee on Foreign Affairs, *Canada, the International Financial Institutions and the Debt Problem of Developing Countries,* which urged Canada to take a leadership role in debt alleviation efforts. Measures advocated included additional concessional finance tied to adjustment, specific write-downs on a case-by-case basis, and improved dialogue between debtors and creditors.

progress but also social stability and the democratic gains made in recent years. On 10 March 1989, U.S. Treasury Secretary Nicholas Brady unveiled an important shift in approach to Third World debt which, unlike the previous Baker Plan, would focus on real debt reductions rather than adding to the mountain of private bank loans. Under the Brady Plan, the banks would agree to forgive a portion of the money owed them in return for guarantees by the IMF and World Bank for the balance of loans outstanding. At the spring meeting of the Bank and the Fund there was cautious support in principle for the U.S. initiative, but considerable confusion and disagreement remains as to the details of implementation. Several countries are concerned that the scheme could simply transfer the U.S. banks' risk on non-performing loans to public agencies and ultimately, therefore, to Western taxpayers. Banks have also reacted rather coolly given that, as noted earlier, most have already insulated themselves by setting aside high loan-loss provisions.(17)

Canada continues to be among the Western countries most willing to support concrete debt assistance for developing countries. In April 1989, in addition to the tabling of the African debt forgiveness bill, Canada coordinated an international financial rescue package for Guyana and the Canadian government provided Costa Rica with a letter of intent to provide a $25 million line of credit supporting that country's economic recovery program. Canada acknowledges the danger that the toll of past debt will destroy the hopes of millions for a better life, and for progress toward human rights and democracy in a climate of social peace. At the same time, Canada can do relatively little by itself. All responsible for creating the debt crisis must contribute to its resolution in ways which protect the poor and most vulnerable from the worst consequences of adjustment. The situation can perhaps be contained, just barely, with more financial bandaids, but it probably cannot be corrected without far-reaching structural reforms at the level of the world economy and within debtor nations themselves.

---

(17) "A New Plan for Debt," *Maclean's,* 27 March 1989, p. 32-3; "IMF Board Backs Debt Relief Plan," *The Globe and Mail,* Toronto, 5 April 1989.

CONCLUSION: THE POVERTY CONNECTION

This paper has been able to survey only briefly the critical challenges of population, food, and debt confronting developing countries. These are dauntingly large and complex issues that call for a great deal of rethinking about appropriate and sustainable approaches to development on the part of governments in the North as well as the South. Without a sounder basis for development in many countries, Canada's particular efforts and projects in these areas, however worthy in themselves, are bound to appear rather insignificant in global terms. The compounded crises of the 1980s have brought about a new and sharper realism. As Keith Griffin argues: "The effects, as we all know, of the macro-economic mismanagement of the world economy have been horrific and even optimistic forecasts of future prospects leave no hope that there will be a substantial fall in unemployment, a reduction of mass poverty or a rise in living standards for many millions of ordinary working people, in the rich countries as well as in the poor."(18)

The North-South Institute has recently estimated that between 1981 and 1987 Canada lost a cumulative total of $24.2 billion in potential export sales to highly-indebted Third World countries. If these countries were able to restore their previous buying patterns, an additional 200,000 Canadian jobs might be created over the next 10 years. The crises of the South -- of material hardship, hunger, increased numbers of refugees, violence and repression -- ultimately affect us too. And in these crises it is usually the poorest who are the most at risk. Stabilizing population growth rates, promoting efficient food production and distribution, reducing external debts to manageable levels, cannot be considered in isolation from each other or from that continuing, painful fact of global life.

Development agencies are having to deal with the reality that decades of economic growth and foreign aid, even if the negative impact of recession and cutbacks had somehow been avoided, have been

---

(18) Griffin (1987), "The Debt Crisis and the Poor," p. 263.

unable to conquer the causes and consequences of mass poverty. Recent crises could have a silver lining if they refocus efforts on directly attacking the problems of poverty. Some countries, mostly in Asia, have graduated into the ranks of the "newly-industrialized." But as the latest annual report of the Asian Development Bank makes plain, in too many cases poor majorities are being left behind.(19) Conditions are even more acute in most of Africa and Latin America where modest gains have been wiped out by civil war, drought, debt, and disease. In the present circumstances, the first pillar of Canada's Official Development Assistance Charter, adopted as the centrepiece of CIDA's current strategy, has never been more timely. In putting poverty first it declares: "The primary purpose of Canadian official development assistance is to help the poorest countries and people of the world."

SELECTED REFERENCES

A. Research Branch and Official Publications

Berg, Peter. *International Debt.* Current Issue Review No. 84-30E. Library of Parliament, Research Branch, Ottawa.

Canadian International Development Agency. *Sharing Our Future.* Minister of Supply and Services Canada, Ottawa, 1987 (released March 1988).

House of Commons Standing Committee on External Affairs and International Trade. *For Whose Benefit? Report on Canada's Official Development Assistance Policies and Programs.* Queen's Printer for Canada, Ottawa, May 1987.

The Senate Standing Committee on Foreign Affairs. *Canada, the International Financial Institutions and the Debt Problem of Developing Countries.* Minister of Supply and Services Canada, Ottawa, April 1987.

Rutherford, Sally. *Agriculture and Famine.* Background Paper No. 134-E. Library of Parliament, Research Branch, Ottawa, August 1985.

---

(19) See "Focusing on Best Way to Help Poor," *The Financial Post,* editorial, 25 April 1989, p. 12.

B. On Population and Food

Blaxter, Sir Kenneth. *People, Food and Resources.* Cambridge University Press, Cambridge, 1986.

Brown, Lester. *The Changing World Food Prospect: The Nineties and Beyond.* Worldwatch Paper 85. Washington, D.C., October 1988.

Brown, Lester, and Jodi L. Jacobsen. *Our Demographically Divided World.* Worldwatch Paper 74. Washington, D.C., December 1986.

Griffin, Keith. *World Hunger and the World Economy.* Macmillan Press, Houndsmills, England, 1987.

Jacobsen, Jodi. *Planning the Global Family.* Worldwatch Paper 80. Washington, D.C., October 1987.

Kent, George. *The Political Economy of Hunger.* Praeger Publishers, New York, 1984.

National Research Council. Working Group. *Population Growth and Economic Development: Policy Questions.* National Academy Press, Washington, D.C., 1986.

Sen, Amartya. *Poverty and Famines: An Essay on Entitlement and Deprivation.* Clarendon Press, Oxford, 1981.

Wirick, Gregory. *World Population: Continuing Challenges.* Briefing Paper No. 11. The North-South Institute, Ottawa, November 1985.

Wolf, Edward. *Beyond the Green Revolution: New Approaches for Third World Agriculture.* Worldwatch Paper 73. Washington, D.C. October 1986.

C. On Debt and Development

Culpepper, Roy. *Beyond Baker: The Maturing Debt Crisis.* Briefing Paper No. 18. The North-South Institute, Ottawa, May 1987.

Culpepper, Roy. *The Debt Matrix.* The North-South Institute, Ottawa, 1988.

"Dicing With Debt: The Third World Dilemma." *New Internationalist.* November 1988.

George, Susan. *A Fate Worse Than Debt.* Penguin Books, London, 1988.

Lombardi, Richard W. *Debt Trap: Rethinking the Logic of Development.* Praeger Publishers, New York, 1985.

Loxley, John. *Debt and Disorder: External Financing for Development.* Westview Special Studies in Social, Political, and Economic Development. Westview Press, Boulder, Colo., and the North-South Institute, 1986.

The North-South Institute. *Review '88/Outlook '80, The Wider World: Challenges for the Second Mulroney Mandate.* Ottawa, January 1989.

Nunnenkamp, Peter. *The International Debt Crisis of the Third World: Causes and Consequences for the World Economy.* Harvester Press, Brighton, England, 1986.

The World Bank. *World Debt Tables: External Debt of Developing Countries/ 1988-89 Edition.*